

Appendix C: Funding Matrix and Funding Sources

Any shuttle funding strategy needs to focus on a variety of funding sources. Some sources are specific to capital acquisition, others to operating support. Some come with many strings and conditions, while others are more flexible. State and Federal funds invariably require some level of local matching funds. In this chapter we review all conceivable revenue sources, including federal, state, regional and local funds. For each identified revenue source, we present the approval or application process, the funding flexibility, estimated annual yield, lead-time and other relevant information. This is followed by a section discussing the pros and cons of charging a passenger fare. The final section of this chapter outlines a recommended financial strategy for a Sedona Shuttle service. Based on the funding objectives, the long list of possible funding sources reviewed in the Appendix is then narrowed down to those that have the most promising potential for short-term success. Funding mechanisms that could provide Sedona with stable ongoing support for a shuttle service are recommended as a longer-term strategy.

Federal Funding Opportunities

The Transportation Equity Act for the 21st Century, or "TEA-21" was signed into law in June 1998. This significant federal transportation spending bill has provided over \$3 billion nationwide in annual Federal funding over a six year period. TEA-21 has provided more transportation dollars than ever before and allows more flexibility in how funds can be spent. At this point, most remaining authorization is already spoken for as 2003 is the last year of TEA-21's authorization. Congress must pass a new transportation bill in 2003. It is generally anticipated that the successor will be modeled on TEA-21 with many of its programs retained.

Federal Lands Highway Program (FLHP)

On average, about \$700 million is annually distributed back to the states through the TEA-21 program by FHWA for FLHP projects. The primary purpose of FLHP projects is to provide funding for a consolidated program of transportation improvements that are not a state or local responsibility. FLHP has one program that could apply to the Sedona Shuttle, the Public Lands Highway Discretionary Fund (PLHDF) at about \$84 million per year nationwide and \$2 million in Arizona. While the PLHDF is not designed to fund transit specifically, it can be applied to any public roadway to or within public lands, and can be used for transportation planning for tourism and recreational travel, and construction of adjacent parking. Funds are accessed in concert with the applicable state agency (ADOT in this case), with project selection made by the FHWA Administrator.

Forest Highways Program

Similar to the FLHP program, TEA-21 includes a program to distribute \$162 million to the US Forest Service to provide funding for transportation improvements to roadways through or to National Forests. Facilities in Arizona received \$6.6 million from this source in 2001. As with FLHP funds, this money is restricted to roadway and transportation facilities, and could be used for such things as parking lots, turnouts, and bus stops, but does not provide funds for bus shuttle purchase or operations.

Transportation and Community and System Preservation Pilot Program

An innovative program of TEA-21 is called the Transportation and Community and System Preservation Pilot (TCSP) program. Its purpose is to fund projects that address the link between land use, community quality of life and transportation. This is an annual competitive grant process with about \$25 million available in FY 2003. The program will favor projects that partner with private sector interests to make transportation and land-use connections. Cities are eligible recipients of these grant funds. There is no cap on the size of grants under TCSP. Priority will be given to projects that demonstrate a commitment of non-federal resources. Projects that make use of in-kind contributions, including funding from local, and private sources, will receive priority. Partnerships are encouraged and could include a broad range of traditional partners and non-traditional partners such as the general public, environmental community, businesses and other groups. The five major objectives of the TCSP program are:

1. Improve the efficiency of the transportation system;
2. Reduce the impacts of transportation on the environment;
3. Reduce the need for costly future investments in public infrastructure;
4. Ensure efficient access to jobs, services, and centers of trade; and
5. Examine development patterns and identify strategies to encourage private sector development patterns that achieve the goals of the TCSP.

Jobs Access Reverse Commute Program (JARC)

This is a new transit program under TEA-21. Its twofold purpose is to:

1. Develop transportation services designed to transport welfare recipients and low-income individuals to and from jobs, and
2. Develop transportation services to connect residents of urban centers and rural and suburban areas with suburban employment opportunities. Emphasis is placed on projects that use mass transportation services.

This is a 100% discretionary program with \$500 million available nationwide over the six year program. Between \$75 million and \$150 million is guaranteed each year for programs and services with an annual grant application cycle. Twenty percent of grant funds are allocated to rural areas (less than 50,000 population). Eligible projects include

capital and operating costs of equipment, facilities and associated capital maintenance items, promoting transit use by workers with nontraditional work schedules and other employer provided benefits.

The JARC grant program may provide a new funding opportunity for the Sedona Bus System if the service can demonstrate that it is transporting workers transitioning from welfare to work. The service to Cottonwood would be an appropriate application of this grant.

Section 5311 Program – Rural Transit Assistance

The Federal Transit Administration provides ADOT over \$2.2 million annually to fund general public transit systems in rural and small urban areas (under 50,000 population). The funds are used for both capital and operating expenses. ADOT funds 13 cities, counties, Indian tribes and non-profit organizations operate these systems at the local level. Approximately 2.3 million miles of passenger service are provided annually to more than 470,000 passengers. Over 80,000 hours of service are provided by these transit systems. CATS (Cottonwood Area Transit Service) receives funding from this source.

Section 5310 Program – Elderly and Disabled Transit Assistance

The Federal Transit Administration provides ADOT over \$1 million annually to distribute to transit projects for the elderly and people with disabilities. Funds are allocated to each state on a formula basis and the state then allocates to eligible recipients, which include public bodies and private, non-profit organizations. Capital costs, as well as costs associated with contracted services, are eligible expenses. Arizona distributes funds to approximately 100 different public and private agencies; much of the program funds are used for the purchase of vans and shuttle buses. The Adult Community Center of Sedona uses funds from this source to help support their shopping shuttle and dial-a-ride program.

State Funding Opportunities

Local Transportation Assistance Funds (LTAF I)

Local Transportation Assistance Funds are generated by a legislated maximum of \$23 million from the State Lottery, which is distributed on a population basis directly to cities and counties for the purposes of implementing local transportation programs. LTAF (I) funds can be used for any transportation purpose, and Sedona groups the funds with other state transportation funds to finance work on local streets and roads. Sedona receives approximately \$57,000 a year in LTAF I funding, an amount which is declining gradually due to Sedona's slow rate of population growth relative to the rest of Arizona.

Local Transportation Assistance Funds (LTAF II)

LTAF (II) was intended to augment LTAF (I) with a maximum of \$18 million statewide from the Vehicle License Tax (VLT) and excess Powerball monies. In this case the funding was largely restricted to transit. The program was legislated with a sunset in

September 2003, and distributed funds on a population-formula basis to county governments and incorporated cities through the Arizona Department of Transportation. Only \$5.4 million of LTAFII funding was appropriated in FY2002, and none is expected in 2003, after which point the program will sunset. Sedona received funds from this source in prior years, and used these funds to assist the shuttle service of the Adult Community Center of Sedona.

While the State's current fiscal condition does not make extension of the program likely this year, it is possible that LTAF (II) or a similar program could be reinstated in the future. It has been a popular source for operations funding of shuttle and dial-a-ride services throughout the state.

Local Funding Opportunities

Sales Tax

Sedona collects a 3% sales tax on retail sales, distributed as follows: General Fund, 1%; capital improvements .5%; wastewater debt 1.5%. Sales tax collections have been growing, but below the rate of inflation. The collections totaled approximately \$9.2 million in 2001/2. Sedona could vote to raise its sales tax ½ cent for transit specifically or transportation improvements in general, which would generate approximately \$1.5 million per year. However, Sedona's sales tax rate is among the highest in Arizona, and there is great reluctance to raise it further. This analysis assumes that current sales tax funding is spoken for, and that any increase is not likely to be passed in the short term.

Bed Tax

Sedona's Bed Tax is the city's second largest source of revenue, and is obtained from the 3 percent tax on lodging. It raises approximately \$1.3 million per year, and funds general operations. Sedona's Bed Tax could be raised to 3.5 or 4 percent to generate funds for the Sedona Shuttle, generating approximately \$212,000-\$424,000 per year. As the Shuttle is particularly oriented towards the tourist population, this funding source may be a good source for local match. While many local residents may be supportive of this tax, some in the lodging industry may be concerned about the impact on tourism.

Development Impact Fees

Since 1998, the City has levied impact fees on new development and community facility district fees paid in lieu of bed tax by time-share developments. Together, they total about \$500,000 per year, but are highly variable dependent on the development climate. The fees go to special revenue funds, which pay for city infrastructure enhancements according to a capital budget plan. There must be a rational nexus between the fee and the infrastructure projects, and the project must be built within 5 years of fee collection. Transit is an allowed general use of funds, but individual transit projects would have to be part of the annual capital budget. Development impact fees are not an appropriate source for shuttle operations, but with some lead time could help fund capital expenses for bus stops and parking facilities.

Property Taxes

The City of Sedona does not impose a property tax, but is allowed to under state law. This source of funding has been discussed as a potential means to broaden the City's tax base. A property tax could help fund capital and operating expenses for the Sedona Shuttle. However, imposing this new tax would be politically challenging, and there is no serious proposal to do so at this time. For this study we do not assume funding from this source.

Parking Revenue

The City of Sedona does not currently meter or restrict parking Uptown. The implementation of parking meters or restrictions could provide an important income-generating opportunity from collections and permit violations (after payment of maintenance, enforcement and administration costs) that could be devoted to transit. As a first step, imposing four-hour parking restrictions will generate modest revenues of approximately \$50,000 per year (assuming a \$15 ticket for infractions). Medium term solutions such as metering Uptown Sedona for short-term parking could raise \$205,000 in net income per year through collections and fines, assuming fees of \$0.50 per hour. Paid intercept parking lots could also generate significant net revenues for the shuttle system of \$1.06 million per year, based on a daily vehicle fee of \$10. The net amount of parking revenues, taking into account the administrative costs and Uptown revenues would be approximately \$1.4 million. In order for the system to be self-supporting, the fee would need to be increased to \$16 per vehicle per day, thus generating the necessary \$2.2 million to close the deficit in the Maximum scenario.

Reserves

The City of Sedona maintains a relatively large budget reserve of \$8.5 million, (equal to a full year's General Fund revenues). By City policy, up to 50% of the reserve fund could be used to fund capital projects. The City could also decide to set aside a portion of the reserve as special transit fund, the interest of which could help fund Shuttle operations. (\$4 million would generate approximately \$140,000 per year in interest income at a conservative 3.5%, for instance). City staff is currently working on a financial strategic plan for use of the reserve, which will be presented to the City Council in the spring of 2003. There are many competing needs that must be weighed, and this analysis does not assume that any of the reserve is used to fund the Sedona Shuttle.

Regional and Private

Regional Funding

The Counties of Coconino and Yavapai and the City of Cottonwood are all potential partners and funders of a Sedona Shuttle Project, to the extent that the shuttle serves residents of unincorporated county and Cottonwood. Yavapai County, which has a population of approximately 6,000 – 7,000 in unincorporated communities near Sedona, is a particularly appropriate funding partner. Coconino County, with only 300 residents nearby, is less likely. The two counties and Cottonwood have access to the same State

(LTAF) and Federal (Section 5310 and 5311) sources of income, and in some cases could jointly apply for funding.

Private Contributions

Private contributions are often part of the funding package for shuttle systems, on the theory that major employers and businesses benefit from the shuttle's successful operation. Usually, funds are channeled through a non-profit agency which may operate the service, or may work as a "Friends of" group to raise funds for general operating, capital or specific projects. In Sedona, there is particular justification to seek the participation of major hotels, resort complexes and tourist attractions, which will benefit from both the shuttle and the potential reduction in congestion.

Fares

Fares are an important source of operating funding for most transit systems. For the Sedona Shuttle, an estimated \$1 per ride fare will generate approximately \$142,000, or 19% of the shuttle's initial operating cost. This takes into account fare discounts included in the recommended plan.

Sedona Shuttle Funding Matrix

Funding Source	Description of Source	Use of Funds	Total Funds Available	Lead Time	Comments	Potential Yield (Range)
Local						
Sales Tax	Local component of sales tax. Currently 3%	1% general fund, 1.5% wastewater debt, .5% capital projects fund	Current total \$9.2 million collected.	1-2 years	If it were raised ½%, it could generate about 1.5 million/year However, there is great resistance to raising the tax, which is already high compared to other cities.	\$0
Bed Tax	Tax on hotels	Any purpose,	Currently 3% raises \$1.27 million per year.	1-2 years	½-1% raise could raise \$212,000 – 424,000. This source could be palatable to residents as it targets tourists.	\$212,000-\$424,000
Property Tax	Local tax on property (none currently)	General fund or special purpose	Unknown	3 years	An allowable but not usual source. In the past the city has discussed as a potential funding source, but it is not likely in the short term.	\$0
Impact Fees	Impact Fees on new development (and community facility district fees on time-shares)	Must be related to impact, transit an allowable use, but specific projects need to be written into Capital Budget Plan	Variable year to year; currently \$400,000	2-3 years. Impact Fee Study has not been updated since beginning of program. Fees are reviewed every three years.	Could help for capital facilities like bus turnouts, parking lots, bus purchase. But can’t fund operating, and unlikely to provide funding in short-term.	\$0-\$50,000 (latter in future)
Reserve	Accumulated City Reserve, currently totals \$8.5 million	Up to 50% of existing reserve may be used for capital projects under current policy	Currently \$4.25 million	1 year	A financial strategic plan will be presented to the City Council in Spring. Current policy would need to be changed to use for operating.	\$0
Fares	Fares from shuttle bus (\$1/trip)	To support shuttle service	\$142,000 initial system	Continuous from start of service	Unlikely to charge for both intercept parking and shuttle in later phases.	\$142,000 initial system
Parking Charges	Fees from intercept parking lots, downtown meters, and/or fines.	Administration and enforcement, with excess to Shuttle	Enforcement of 4 hour parking district can generate \$50,000 per year. Metered parking can net 200K per year, intercept lots up to 3 million per year.	Immediately for establishing restricted parking; several years for meters and intercept parking.	Difficult to change free parking policy, but necessary for high shuttle ridership scenarios. Restricted downtown parking interim step	\$50,000 net from enforcement of 4 hour parking initially
Private	Donations from local businesses.	Could be used for capital or operating		1 year Would require agreement between city and businesses	Significant source in other communities; if business sees clear benefit. Should be pursued with local organizations.	\$50,000
Local Transportation Assistance Funds I	Population based distribution of lottery proceeds for transportation	Any transportation purpose	\$57,000 Source declining gradually due to state cap on distribution.	1 year	Distributed directly to cities and towns. Since city already receives this income and spends all on streets.	\$57,000
Local Transportation Assistance Funds II	Population based distribution of Powerball proceeds and Vehicle License funds	Limited to transit, 1:4 local match required. Administered by ADOT.	Up to \$18 million per year (entire state), by legislation, but no funds appropriated for 2003.	N/a	Program legislated to end 9/03, but effectively terminated now; program may revive in some form when state economy improves. Therefore not applicable now, but is a potential future source	\$0
District Minor Funds	Discretionary Funding through ADOT	Any transportation project	Up to \$500,000 over time	1 year?	Discretionary funding through District Engineer.	
FTA Sec. 5310	Provides funds to transit projects for the elderly and people with disabilities. Allocated to states on a formula basis, reallocated to local agencies and non-profits	Capital costs, as well as costs associated with contracted services, are eligible expenses. In AZ, universally used to buy vans and buses	~1 million statewide.	1-2 years	This source is currently being used to fund Sedona’s Adult Community Center of Sedona’s van program. Likely source for capital if project is tied to target populations.	\$10,000-\$20,000
FTA Sec. 5311	Rural Transit Assistance. Available by formula to states	Capital and Operating support for rural transit (under 50,000 pop)	~2.2 million statewide.	1-2 years	Good source, currently funds Cottonwood (CATS). ADOT is very supportive of use in Sedona.	\$75,000-150,000
Public Lands Highways program	TEA-21 funds	Support for transportation facilities on public roads serving Federal land	2.0 million in funding in AZ in 2001	1-2 years	Limited source, potential for parking facilities. Some discretionary funds available. Could provide some capital funds.	None initially
Forest Service Forest Highways program	TEA-21 Funds	Support for transportation facilities on forest land	6.6 million in funding in AZ in 2001	1-2 years	Limited source, potential for parking facilities on forest land	None initially

Funding Source	Description of Source	Use of Funds	Total Funds Available	Lead Time	Comments	Potential Yield (Range)
Transportation and Community and System Preservation Pilot Program	TEA-21 Funds	Innovative transit projects linking transportation and land use	25 million nationally in 2003, competitive program	n/a monitor reauthorization of TEA-21	2003 last year of program, but similar program may continue in TEA-21 reauthorization.	\$0
Jobs Access Reverse Commute Program	TEA-21 Funds	Innovative projects to assist former welfare recipient to workplaces	83 million per year nationally, 20% targeted to rural areas.	n/a monitor reauthorization of TEA-21	2003 last year of program, but similar program may continue in TEA-21 reauthorization May be applicable for Cottonwood to Sedona commute	\$0